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SUBJECT: AZERBAIJAN MOVING FORWARD ON WTO ACCESSION

REF: BAKU 269

Classified By: Ambassador Anne E. Derse, per 1.4 (b,d).

¶1. (C) Summary: Minister of Economic Development Babayev told the Ambassador he had convinced Prime Minister Rasizade and the Cabinet of Ministers of the merits of trade liberalization and secured agreement to accelerate WTO accession efforts. As a first step, the GOAJ will elevate its existing WTO Commission to a new ministerial-level body chaired by PM Rasizade; it also will elevate the existing working group to a new deputy ministerial-level body. Both bodies will be fully empowered to take the decisions necessary to implement Azerbaijan's WTO legislative action plan. Deputy Minister of Economic Development Jabbarov expects that all required legislation will be drafted by the end of 2007, although Parliamentary approval could linger into 2008. Also in 2007, the GOAJ intends to intensify its multilateral and bilateral negotiation efforts, and will launch intensified public outreach efforts and create "dozens" of new positions in line ministries to support its accelerated WTO accession efforts. The GOAJ seeks US technical assistance in the preparation and translation of legislation, assistance Jabbarov acknowledged the GOAJ could pay for on its own but for which it seeks US funding as a tangible show of US political support for Azerbaijan's WTO accession efforts. Jabbarov said reformers within the GOAJ recognize that WTO accession is a "means to achieve a goal" and that "the WTO as an institution becomes an ally in our reform efforts." In our view, PM Rasizade's decision to accelerate WTO accession efforts is significant, and we are moving ahead with the GOAJ-requested assistance. End summary.

¶2. (C) During a March 10 meeting, Minister of Economic Development Heydar Babayev briefed the Ambassador on his March 3 presentation to Prime Minister Rasizade and the Cabinet of Ministers on the "advantages, benefits and challenges" of WTO accession. Babayev said that PM Rasizade, previously a strong and vocal skeptic on WTO issues, was now "100 percent persuaded" of the benefits of trade liberalization. Babayev noted that he had briefed President Aliyev on this key development and "the political decision has been made to proceed with WTO accession." With that political decision, Babayev told the Ambassador, "everything is possible."

¶3. (C) At the March 3 meeting, PM Rasizade agreed to create a new Ministerial-level WTO Commission, chaired by the PM, that will be fully empowered to take the decisions necessary for WTO accession. Babayev expects that the order from the Cabinet of Ministers officially creating the Commission will

be signed within the next week. Both Babayev and Deputy Minister of Economic Development Mikhail Jabbarov underscored that the decision to elevate the existing WTO Commission from the Deputy Ministerial level to a fully empowered Ministerial body was extremely important and was in line with the recommendation made to President Aliyev by the WTO's Accession Director (who visited Baku late last year at Ambassador Allgeier's suggestion.) As Jabbarov noted, the current deputy ministerial-level commission never had been empowered to take the tough decisions necessary for WTO accession and, as result, its work had languished. Separately, PM Rasizade and the Cabinet of Ministers also agreed to elevate the interagency WTO working group from its current working-level configuration to a new and more empowered gathering of deputy ministers. This higher-level working group, expected to be formalized by Presidential decree in the coming weeks, will lead the review of existing legislation and oversee the drafting of new legislation to bring Azerbaijan into compliance with WTO requirements.

14. (C) With these new higher level bodies, Jabbarov said the GOAJ will be able to complete "90 percent" of its WTO legislative action plan by the end of this year. He said the GOAJ fully intends to complete the drafting of necessary legislation within the current calendar year but could not ensure that Parliament would approve the legislation within the same time frame. At the same time, Jabbarov said the GOAJ intends to "make a bigger effort" on its negotiations, particularly its tariffs offer. Both Babayev and Jabbarov declined to give a firm date by which the GOAJ planned to accede to the WTO; they emphasized that the crucial first step would be for the GOAJ to bring its legislation into compliance with WTO requirements. Jabbarov later told

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emboffs that a target date for WTO accession had been agreed within the GOAJ but he could not share it at this point. With a smile, he added that Azerbaijan's goal was to complete accession before Russia. "We think we can do it," Jabbarov said, with "allies like Cambodia to help us."

15. (C) Babayev confirmed that the GOAJ would appreciate renewed USG technical assistance in its WTO accession efforts. In a March 10 meeting with emboffs, Deputy Minister Jabbarov identified the drafting and translation of legislation as areas in which the GOAJ could greatly benefit from USG assistance. Noting that the negotiation process was largely political, Jabbarov said the GOAJ would not require additional technical expertise in this area, nor did it consider it appropriate to seek such assistance from its negotiating partners. However, Jabbarov said, the GOAJ is working under a very clear deadline to complete its legislative action plan and line ministries lack the capacity and understanding of WTO requirements to conduct a legislative review on their own. For this reason, the GOAJ needs the assistance of outside experts who understand the various WTO requirements and can work with the line ministries to ensure the appropriate legislation is created. Jabbarov noted that translation will be a particularly onerous burden, as the legislation must be clear and in line with WTO requirements in both Azerbaijani and English. Admitting that the GOAJ did not need help paying for translation services, Jabbarov said what the GOAJ really needed was a strong sign of USG support for this accelerated WTO process. Technical assistance in the legislative area could be one such show of support.

16. (C) Jabbarov said the GOAJ fully recognizes that it too will need to put additional resources into its accelerated WTO accession efforts. The new Ministerial Commission is the first step, and the GOAJ also intends to invigorate its multilateral and bilateral negotiations. (Babayev noted to the Ambassador that Azerbaijan had completed bilateral deals with Oman, Moldova and Georgia.) Jabbarov said the GOAJ also plans to undertake an intensive public awareness effort, with regular outreach to businesses, NGOs, academics and the

media. (Separately, on March 14, the newly elected AmCham President and President of the Azerbaijani-Turkish Business Association told the Ambassador that at Minister Babayev's request, they wished to work with the Embassy to conduct a series of conferences for the business community to build understanding of and support for WTO accession.) The GOAJ recognizes that an accelerated accession process will require additional government resources; Jabbarov said the MED is working with line ministries to identify the positions necessary to support WTO accession and will request funds for "dozens" of new positions.

17. (C) Repeating again that the GOAJ's March 3 decision to move forward on WTO accession was extremely important, Jabbarov said that reformers within the GOAJ recognize that WTO accession is a "means to achieve a goal." Improvements to the business climate, for example, will occur as a natural result of the WTO accession process. "The WTO as an institution," Jabbarov said, "becomes an ally in our reform efforts." For this reason, Jabbarov cautioned that any foreign technical assistance for Azerbaijan's WTO accession process must be well-targeted, low-key and non-controversial. (Jabbarov has reviewed our draft terms of reference for AID's new trade and investment reform support program and, in a March 15 meeting, told us that he believes the targeted WTO assistance and other trade and investment reform initiatives included in the terms of reference fit this criteria and will help advance Azerbaijan's WTO and broader trade and investment climate reform efforts.)

18. (C) Comment: As noted by both Babayev and Jabbarov, the Cabinet of Ministers' decision to elevate the existing interagency WTO bodies into fully empowered commissions that can actually make progress on legislation is extremely important. For several years, the Ministries of Economic Development and Foreign Affairs have argued unsuccessfully for this crucial change. In our view, the fact that the Prime Minister (widely regarded as one of the GOAJ's biggest obstacles on WTO) finally agreed to this change indicates that the highest levels of government -- including President Aliyev -- are now convinced of the merits of WTO accession. The argument Ambassador Allgeier made regarding the advantages of early accession with respect to negotiations

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with other countries clearly had an impact. GOAJ performance over the next few months will demonstrate the strength of this political commitment. Like Jabbarov (one of the brightest reformists within the GOAJ), we believe that WTO accession is central to Azerbaijan's political and economic reform process, and are moving ahead with the GOAJ-requested assistance.  
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